SENATE RECORD VOTE ANALYSIS

106th Congress — August 5, 1999, 7:06 p.m.
1st Session — **Vote No. 261** — Page S-10340 Temp. Record

TAXPAYER REFUND ACT/Conference, Passage

SUBJECT: **Conference report to accompany the Taxpayer Refund Act of 1999 . . . H.R. 2488. Agreeing to the conference report.**

ACTION: CONFERENCE REPORT AGREED TO, 50-49

SYNOPSIS: The conference report to accompany H.R. 2488, the Taxpayer Refund Act of 1999, will give back to the American people $792 billion of the $3.3 trillion in surplus taxes that the Congressional Budget Office (CBO) has projected that the Federal Government will collect over the next 10 years. The projection is based on assumptions of 2.4-percent average annual growth in the economy, no growth in discretionary spending after 2002, and entitlement spending growth as required under current law. Approximately $1.9 trillion of the surpluses will be Social Security surpluses (Republicans have been attempting to defeat a Democratic filibuster of a proposal to protect those surpluses from being spent; see vote Nos. 90, 96, 166, 170, 193, and 211). After protecting the Social Security surpluses and providing tax relief of $792 billion, $505 billion will remain for additional spending or debt reduction. The average growth rate over the past 50 years has been 3.4 percent. The current growth rate is around 4 percent. If the 3.4-percent average rate is maintained for the next 10 years, then (using the CBO rule-of-thumb chart from Appendix C of the January 1999 Economic and Budget Outlook) the surplus will be roughly $4.9 trillion, not $3.3 trillion. Without this bill, Federal tax receipts next year are expected to total 20.7 percent of Gross Domestic Product (GDP), which will be the highest level since World War II (they reached 20.9 percent in 1944), and Federal income tax receipts will be 10 percent of GDP, which will be the highest level in United States history. Some of the tax relief provisions in the bill will expire in 2008; all of the remaining provisions will expire in 2009 in order to avoid a supermajority vote Budget Act point of order against giving tax relief for more than the 10 years covered in the reconciliation instructions on this bill. Details are provided below.

- Individual income tax rate reductions, $282.574 billion in tax relief through 2009. The 15-percent individual income tax rate will be lowered to 14.5 percent in 2001 and 2002 and to 14 percent thereafter. All other rates, including the alternative minimum tax (AMT) tax rate, will be reduced by 1 percent beginning in 2005. Beginning in 2006, the 14-percent bracket will be widened by $3,000 for individuals and heads of household (see "marriage penalty relief" below for details on bracket expansion for joint filers). The $3,000

(See other side)

YEAS (50) Republicans (50 or 93%)		YEAS Democrats (0 or 0%)	NAYS (49) Republicans (4 or 7%)	NAYS Democrats (45 or 100%)		NOT VOTING (1) Republicans (1)	NOT VOTING Democrats (0)
Abraham	Helms		Collins	Akaka	Kennedy	Crapo-[2]	
Allard	Hutchinson		Snowe	Baucus	Kerrey		
Ashcroft	Hutchison		Specter	Bayh	Kerry		
Bennett	Inhofe		Voinovich	Biden	Kohl		
Bond	Jeffords			Bingaman	Landrieu		
Brownback	Kyl			Boxer	Lautenberg		
Bunning	Lott			Breaux	Leahy		
Burns	Lugar			Bryan	Levin		
Campbell	Mack			Byrd	Lieberman		
Chafee	McCain			Cleland	Lincoln		
Cochran	McConnell			Conrad	Mikulski		
Coverdell	Murkowski			Daschle	Moynihan		
Craig	Nickles			Dodd	Murray		
DeWine	Roberts			Dorgan	Reed		
Domenici	Roth			Durbin	Reid		
Enzi	Santorum			Edwards	Robb		
Fitzgerald	Sessions			Feingold	Rockefeller		
Frist	Shelby			Feinstein	Sarbanes		
Gorton	Smith, Bob (I)			Graham	Schumer		
Gramm	Smith, Gordon			Harkin	Torricelli		
Grams	Stevens			Hollings	Wellstone		
Grassley	Thomas			Inouye	Wyden		
Gregg	Thompson			Johnson			
Hagel	Thurmond						
Hatch	Warner						

EXPLANATION OF ABSENCE:
1—Official Business
2—Necessarily Absent
3—Illness
4—Other

SYMBOLS:
AY—Announced Yea
AN—Announced Nay
PY—Paired Yea
PN—Paired Nay

amount will be indexed for inflation for future years. The reduction of the 14.5-percent rate to 14 percent in 2003 will be contingent on gross Federal interest payments not increasing by more than $1 billion in the year before the reduction (in other words, the reduction will be contingent on the surpluses continuing to grow as expected). The full percentage drop for all other tax rates in 2005 and the widening of the 14-percent rate bracket in 2006 will also be contingent on gross Federal interest payments not increasing by more than $1 billion in the years before those respective actions.

- Marriage penalty relief, $117.044 billion through 2009. Beginning in 2001, the standard deduction for married joint filers will be gradually raised until it reaches twice the standard deduction for single filers in 2005; the basic standard deduction for a married taxpayer filing separately will also be increased each year so that it will continue to equal one-half of the basic standard deduction for a married couple filing jointly. Starting in 2005, the 14-percent bracket will be gradually widened for a married couple filing a joint return, until in 2008 it reaches twice the width of the bracket for a single taxpayer. Also, $4.163 billion in tax relief through 2009 will be given by increasing by $2,000 in 2005, and indexing thereafter, the income starting and ending points for the earned income credit for married couples filing joint returns.
- Individual alternative minimum tax (AMT) relief, $102.850 billion through 2009. For taxable years after 1998 individuals will be allowed to take personal credits against the entire regular tax without regard to the AMT. The individual AMT will be completely phased out between January 1, 2005 and December 31, 2007. The 90-percent limitation on the utilization of the AMT foreign tax credit will be repealed for taxable years beginning after December 31, 2001. Unused AMT credit carryovers as of the repeal of the AMT may be used to offset up to 90-percent of the regular tax.
- Other family tax relief. Dependent care tax credit increase and expansion, $4.907 billion through 2009. The maximum credit percentage for the dependent care tax credit will be increased to 35 percent for 2001-2004 and to 40 percent thereafter for taxpayers with adjusted gross incomes under $30,000. Percentage limits will be phased down in 1-percent increments for each additional $1,000 in income, though not below 20 percent. Beginning in 2001, maximum employment-related expense limits will be indexed for inflation. Beginning in 2006, up to $960 in additional credit (or $1,920 for two or more qualifying dependents) will be given for children under the age of 1, including children cared for at home by a parent. Other family tax relief, $714 million through 2009, including to help with special-needs adoptions ($300 million) and foster care ($414 million).
- Retirement savings and investment tax relief, $67.304 billion through 2009. Capital gains tax relief, $33.940 billion through 2009. Provisions include the following: the long-term capital gains rates will be reduced from 20 percent and 10 percent to 18 percent and 8 percent; the rate at which section 1250 deductions are recaptured will be reduced from 25 percent to 23 percent; capital gains taxes will be indexed for inflation for assets purchased after 1999. Individual Retirement Arrangements, $33.382 billion through 2009. Provisions include the following: the annual contribution limits for deductible, nondeductible, and Roth Individual Retirement Accounts (IRAs) will be increased from the current $2,000 to $3,000 for 2001-2003, $4,000 for 2004-2005, $5,000 for 2006-2008, and $2,000 thereafter (these limit changes will provide $27.429 billion in tax relief through 2009); the maximum contribution limits for IRAs for individuals age 50 and above will be increased annually by 10 percent, beginning in 2001 (the provision will sunset at the end of 2008); adjusted gross income (AGI) limits for contributions to Roth IRAs will be raised.
- Corporate AMT relief, $7.952 billion through 2009. Beginning in 2002, the 90-percent limits on net operating losses and on the utilization of the AMT foreign tax credit will be repealed. Beginning in 2005, corporations will be allowed to use minimum tax credits to offset 50 percent of their tentative minimum tax, but not below their regular tax liability.
- Education tax incentives, $13.262 billion through 2009. Beginning in 2001, the annual contribution limit for education savings accounts (ESAs; formerly education IRAs) will be increased to $2,000 and the definition of qualified education expenses will be expanded to include elementary and secondary education expenses (including after-school programs); corporations and other entities will be permitted to contribute to ESAs; taxpayers will be allowed to exclude ESA distributions from gross income in order to claim other education credits, as long as they do not use those other credits to cover the same expenses (tax relief from these and other ESA provisions will be $3.552 billion through 2009). The deductibility of employer-provided assistance for undergraduate courses will be extended through 2003. The student loan deduction income limits for single taxpayers will be increased by $5,000 and the income limits for married couples filing joint returns will be increased to twice those limits for single taxpayers; the phase-out range will be increased and the 60-month rule will be repealed. Other education provisions include tax relief related to State-sponsored and private prepaid tuition plans and tax relief to encourage new public school construction and repair.
- Health care tax relief, $43.864 billion through 2009. An above-the-line deduction will be given for health insurance costs for which the taxpayer pays at least 50 percent of the premium; the deduction will be phased in until it reaches 100 percent in 2007 (for tax relief of $31.264 billion through 2009). An above-the-line deduction will be given for long-term care costs for which the taxpayer pays at least 50 percent of the premium; the deduction will be phased in until it reaches 100 percent in 2007 (the tax relief from this provision will total $7.323 billion through 2009). Beginning in 2001, long-term care will be permitted as an option under cafeteria plans (for tax relief of $1.484 billion through 2009). Beginning in 2000, an additional dependency deduction will be given for caretakers of elderly family members (for tax relief of $3.231 billion through 2009). Beginning in 2003, an above-the-line deduction will be given for Medicare beneficiaries' insurance premiums for Medigap or other policies that are attributable to prescription drug costs, contingent upon Medigap policy reform.
- Estate tax (death tax) and gift tax relief, $65.583 billion through 2009. Repeals of the estate, gift, and generation-skipping transfer taxes will be phased in beginning in 2001; the taxes will be repealed in 2009.

- Small business tax relief, $10.420 billion through 2009. Provisions include an acceleration of 100-percent deductibility of health insurance costs of self-employed taxpayers to give full deductibility beginning in 2000 ($2.949 billion), an increase in the expensing limit to $30,000 beginning in 2000 ($2.533 billion), and a gradual increase in the business meals deduction (excluding entertainment expenses) until it reaches 60 percent in 2006 ($3.867 billion).
- International tax relief provisions, $31.217 billion through 2009. Beginning in 2002, the present-law interest expense allocation rules will be modified to allow the allocation of interest expenses on a worldwide basis (the tax relief from this provision will total $24.033 billion through 2009).
- Pension reforms, $14874 billion through 2009. Provisions will be enacted to increase pension fairness for women ($4.302 billion) and to expand coverage ($9.433 billion).
- Extension of expired and expiring tax provisions, $20.904 billion. Tax relief will include an extension of the research tax credit through June, 2004 ($13.115 billion in tax relief through 2009).
- Other tax relief, $15.941 billion through 2009. Tax relief will be provided to encourage charitable donations ($1.750 billion). Tax relief related to housing and real estate taxes ($7.315 billion) will be provided. Tax relief to help distressed communities and businesses will be passed ($3.083 billion). Miscellaneous tax relief provisions totaling $3.793 billion will be enacted.
- Revenue offsets, $5.535 billion through 2009.

Those favoring final passage contended:

We enthusiastically support this bill. It will provide the largest middle-class tax cut since Ronald Reagan was President. It will give back $792 billion of the $3.3 billion in surplus taxes that are going to be collected over the next 10 years, it will not touch one cent of the $1.9 trillion Social Security surpluses that are going to accrue (unlike the Clinton/Gore tax-and-spend budget), and it will still leave $505 billion in surplus tax collections that could be spent on high priorities or for additional debt reduction (even with this tax relief the Republican budget plan will reduce the debt held by the public from 41 percent of GDP to 14 percent in 2009). The United States' economy is strong, the American people are being taxed at record-high rates, and huge amounts are going to be collected in surplus taxes over the next 10 years if a tax cut is not passed. Clearly now is the ideal time for tax relief. If we do not give this tax relief, Americans can rest assured that liberal Democrats will do everything in their power to spend every penny of the money, and they will then undoubtedly propose even more taxes so they can spend even more.

The first Clinton/Gore budget for this year, and the current, revised Clinton/Gore budget, proposed exactly that course--both proposed spending all of the non-Social Security surpluses and adding new taxes to get even more to spend; the first also proposed spending 38 percent of the Social Security surpluses. The second did better, raiding Social Security in "only" 3 of the next 10 years (as estimated by the CBO). The CBO has said that the President's revised budget would increase spending by $1.033 trillion, provide no tax relief, and provide about $200 billion less in debt reduction than this tax-relief plan. Liberal Democrats' appetite for spending is insatiable. The economy is doing very well, unemployment is at record lows, and the welfare rolls have been slashed. There is no crying new need for Federal spending--it should be cut. In a few high-priority areas, such as health research, Medicare reform, and education, increased spending is warranted, but it should be paid for within the budget by reducing other spending. The Republican budget follows exactly that course.

Though there is certainly no need to make the Federal Government even bigger, there is definitely a need to give tax relief. If we do not give that relief, Federal tax receipts next year will reach 20.7 percent of GDP, which will be the highest level since World War II (in 1944, tax receipts reached a slightly higher 20.9 percent of GDP), and Federal income tax receipts will reach 10 percent of GDP, which will be the highest level in all history. Not even when the United States was fighting for its very survival in world wars did Americans pay more in income taxes than they will have to pay next year.

The relief in this bill will mostly help middle-class Americans. The biggest proportional benefit will go to American families with incomes between $40,000 and $60,000. Their income tax bills will be cut by an average of more than 20 percent. Some Senators who supported this bill when it left the Senate say they cannot vote for it now because the conference report is "unfair." Specifically, they have complained that the conference report will cut all of the tax rates by 1 percent instead of just the bottom rate. We have several responses to that complaint. First, we note that the people in the bottom tax bracket are still getting a much greater proportional cut in their taxes; a cut from 15 percent to 14 percent is more than a 7-percent reduction in taxes. For higher income Americans, though, who are being taxed at the highest income tax rate of 39.5 percent, the tax relief is just a little more than 2 percent. Further, we remind our colleagues that in 1993 Democrats increased the top tax rate from 28 percent to 39.5 percent; knocking down that increase by 1 point is barely putting a dent in that tax increase. Third, our colleagues are totally ignoring the change that was made to the way the conference report addresses the marriage penalty. Under this report, the relief is weighted to help lower-income and middle-income American families much more. In fact, it completely eliminates the penalty for all married couples who have incomes that are up to twice as large as the current 14-percent bracket. Most of the other major provisions in the bill, such as the individual alternative minimum tax reforms, also will mainly help the middle class. Further, this conference report will relieve millions of low-income taxpayers of having to pay any income taxes at all.

When he first ran for President, Clinton campaigned on a promise of tax cuts. In 1993, as soon as he was elected, he joined with Democrats in Congress to shove through the largest tax increase in history, $241 billion over 5 years. An economic recovery that had started under the Bush Administration then stalled. For those first 2 years of the Clinton Presidency, the economy sputtered as Democrats fought to pass a porkbarrel spending "stimulus" bill and to pass a health care bill that would have shoved the entire health care system (which is an eighth of the economy) into a single, Federal Government-run HMO. Democrats planned in those years to run permanent deficits--for the first time, there was no plan to ever get the budget back into balance.

Republicans then took over Congress. They fought to give Americans tax relief and to balance the budget by cutting spending. They succeeded on both counts. On tax cuts, in 1997, they were able to pass a tax relief bill of $85 billion over 5 years. Enactment of this bill will give another $156 billion over 5 years. Together, they will total $241 billion, which will erase exactly the sorry legacy of the Democrat tax hike in 1993.

The Federal Government will collect $3.3 trillion more from the economy than it needs over the next 10 years; this bill will give back about $800 billion of the excess. As a percent of GDP, it will be giving back less than 1 percent of United States production over those years. Thus, as a percentage of the total economy, this tax cut is small. However, because its benefits are targeted on middle-income Americans, the effect for those Americans will be great. Tens of millions of middle-income Americans will get tax relief of $1,000 or more per year. If we do nothing, those Americans will pay more next year in income taxes, as a percentage of their income, than ever before in history, and that percentage will climb each year thereafter. Liberal Democrats do not want to give tax relief because they want to spend the surpluses and make the Government bigger. Republicans, in this bill, favor giving $800 billion of the surpluses back to the American people so that the money cannot be spent. The choice is clear. We urge our colleagues to vote in favor of this conference report.

Those opposing passage contended:

Argument 1:

We Democrats courageously raised taxes in 1993. It was that decision to raise taxes that has led to the current economic prosperity. This bill will undo that decision. The disastrous tax cuts by President Reagan in 1981 nearly ended up bankrupting the United States. We know that Republicans like to say that revenues rose rapidly as a result of those cuts, and that the deficits came because Democrats in Congress raised spending even faster, but we do not buy that logic. If tax rates had not been cut we would have collected much more in taxes on the growing economy than we did, and we would not have had any deficits. Similarly, we know that our Republican colleagues like to say that our tax hike did not bring about the present prosperity. They point instead to such factors as the stable money supply that has come from sound management by the Federal Reserve, business restructuring in the early 1990s, the paying off of the Savings and Loan crisis, socialist policies in other countries that make the United States a haven for investors, and similar factors. Again, though, if we had not imposed those higher taxes, we would not have been able to collect them from the economy as it grew, and the budget would not have come into balance. When we passed the tax hike in 1993 we did not get a single Republican vote. Many of us were voted out of office for voting to raise taxes, and all of us were criticized by voters. Now our Republican colleagues want us to vote for this bill to undo all of our hard work by giving tax breaks to rich people. In response, tax breaks should not be given at all, but if they are they should be given fairly. They should not be given at all because they are based on unrealistic estimates of future tax receipts. If we are able to hold spending exactly at the rate of inflation after the spending caps lapse in two years, and if the economy performs as expected, then and only then will we get $1 trillion in surpluses. That simply is not going to happen. Even if there were more than enough money available to justify returning some of it to the taxpayers we would oppose this bill, because it will give big tax cuts to rich people and will not give any benefits to the poorest third of Americans. Our colleagues say that is because they do not pay any income taxes, which is true enough, but it overlooks that the working poor still have to pay 15 percent of their income in payroll taxes for Social Security and Medicare. We Democrats created the surplus with our tax increase in 1993. This bill will undo all of our hard work. It will reignite deficit spending in order to give rich people more money. We emphatically oppose this bill.

Argument 2:

The tax bill left the Senate with bipartisan support and a chance that it would serve as the basis for a bill that could be enacted into law. It has come back as a political statement that will never be enacted. Unfortunately, Republican conferees added all sorts of new tax breaks to please wealthy Americans, and they cut back on the tax relief for average Americans. The bill became so generous that they had to play with the dates by which tax relief would be given or would expire in order to pretend to stay under the $792 billion cap. These games made some Republican Senators fear that so much was being given in tax relief that there would not be enough surpluses to cover the costs. Those Senators threatened to vote against the conference report. To get back some of their votes, conferees then added triggers to make some of the tax relief contingent on the surpluses continuing to accrue. Republicans have lost the Democratic votes they had for this bill when it passed the Senate, and they barely have enough Republican votes to pass the conference report. The President will veto this bill, and it will be dead. We hope that we have not wasted our time. We hope that the debate we have had over the past few weeks will serve as the basis for putting together a fair tax relief bill that will win bipartisan, deserved support.